

After you have made your investment



Your investment responsibilities do not end once you have selected a broker and an investment. Among the more important responsibilities are keeping your securities in a safe place, maintaining your records, and monitoring your investment account. If something goes wrong, it is important to quickly recognize the problem and take appropriate action.

How to keep your securities safe

When you purchase a share of stock or a bond, you may receive a certificate representing your ownership. These valuable documents should be kept in a safe place. It is only costly and time consuming to replace a certificate if the original is lost or destroyed.

If you purchase stock through a brokerage firm, you usually have three choices on how your stock certificates are handle:

A certificate made out in your name, showing the number of shares purchased, can be delivered to you. This certificate must be endorsed and returned to the broker when you sell the stock.

The stock certificate may be held in your name at the brokerage firm. Although the certificate must still be endorsed upon selling, this option eliminates storage concerns.

Your broker can hold the stock certificate in *street name*. The brokerage firm will be listed as the shareholder of record of the corporation you purchased stock in, although you, the customer, are the actual owner. Any mailings by the corporation, such as annual reports and proxy materials, must be forwarded to you by the broker, which may cause a delay. However, when you sell the stock, the transfer process is much simpler.

Discuss these options with your broker and decide which is right for you. Ask about additional fees charged by the broker for holding stock in street name and any related custodial fees.

Monitoring your account

After you have invested, you should receive periodic account statements. Do not throw them away. Read each statement and make sure the trade was completed exactly as you instructed. Check to see how much commission you were charged. You should expect to be informed in advance of increases in charges such as commissions and custodial fees. If you elected to have your securities held in street name, you can request that dividends or interest payments be forwarded to you.

Designate a file folder for storing all investment-related information. As soon as you have received and reviewed the confirmation slips and monthly statements from your broker, file them. If you have a dispute with your broker regarding your investment, this file may be invaluable.

What to expect from your broker

When you fill out your new account form, you provide the broker with information about your financial situation, your investment objectives, and the level of risk you are willing to take.

You have the right to expect your broker to follow your instructions and to recommend appropriate investments. Securities regulators use the term *suitability* to refer to the question of whether a broker's investment recommendations are appropriate for a given investor.

As an investor, you are not protected from a decline in the value of securities purchased on your broker's recommendations, but you may have certain legal rights if you lose money because you followed a broker's recommendations that were clearly unsuitable based on your financial objectives and situation. Unsuitable investment recommendations are prohibited by Hawaii Securities Law and by the National Association of Securities Dealers (NASD) Rules of Fair Practice.

Commissions and churning

A broker's earnings are based on sales commissions and mark-ups. The more buying and selling a broker does for each customer, the higher his or her income.

Unnecessary buying or selling is called *churning*. Churning is prohibited by Hawaii Securities Law and by Securities and Exchange Commission (SEC) rules.

If you suspect that certain recommendations have been unsuitable or that your account is being churned, immediately contact the NASD and the Securities Enforcement Branch of the Business Registration Division -- DCCA. Although your initial contact may be over the telephone, you will be asked to document your complaint in writing. You should be prepared to list specific details of your investment, including dates, amounts, and types of securities. Often, copies of your account statements or other documents need to be attached to your complaint to better explain the situation.

It is a good practice to maintain a folder in which all investment documents and correspondence are kept. Always keep a copy of any

complaint letters you send and the responses you receive. These documents can be of great benefit to you later.

You should also consider consulting a private attorney for assistance in resolving a securities dispute. While the Securities Enforcement Branch and the NASD will investigate for violations of securities laws and rules, neither of these organizations will function as a collection agency. In other words, when a broker is sanctioned for a violation, they are not necessarily forced to repay money you have lost. In some instances, the only way to recover your investment may be through a private lawsuit filed by your attorney.

For more information

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